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UNCLAS SECTION 01 OF 03 ASUNCION 001400

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SUBJECT: PARAGUAY: SURVEY RESULTS SEND MIXED MESSAGE ON CORRUPTION

¶11. SUMMARY: The results of three recent polls send a mixed message on corruption in Paraguay. In mid-October, Transparency International's Corruption Perceptions Index showed Paraguay improved but still placed 144 out of the 159 countries surveyed. Separately, in late September 2005, a survey by Paraguay's Steering Committee for a National System of Integrity (CISNI) indicated that large-scale corruption remains a serious problem and the GOP is doing too little to combat it. Government officials reacted strongly to both surveys, claiming poor methodology and inaccuracy. Meanwhile, Paraguay's performance in a World Bank Institute Survey and the Millennium Challenge Corporation's control of corruption indicator reflected significant improvements. Both time and sustained performance are required to significantly improve perceptions on corruption. END SUMMARY.

Transparency Poll Indicates Improvement in Fighting Corruption

¶12. In October, Transparency International (TI) released the results of its annual corruption perceptions index (CPI), where in 2005 Paraguay places 144 out of the 159 countries included in the survey with a CPI score of 2.1 out of ten total points. Paraguay tied with the Democratic Republic of Congo, Kenya, Pakistan, Somalia, Sudan, and Tajikistan and ranked just ahead of Angola, Equatorial Guinea, Nigeria, and Haiti. According to the poll, Paraguay's record in combating corruption has risen in the last two years, signaling some improvement during Duarte's presidency. However, the rate of improvement has slowed in 2005. Last year, Paraguay scored 1.9 out of ten total points and in 2003 received a CPI score of 1.6.

While CISNI Survey Reflects Serious Concerns about Corruption

¶13. In a separate poll released in late September 2005, the Steering Committee for a National System of Integrity (CISNI) published results that paint a rather negative picture with regard to the public's perception of corruption in Paraguay:

-- almost half (47 percent) of those polled believe that large-scale corruption (including political party and governmental corruption and the payment of large bribes) has increased since last year (21 percent believe the levels of corruption are the same as in 2004);

-- political parties in Paraguay are perceived to be the most corrupt public institution, followed closely by the Customs Directorate, the Paraguayan Congress, and the Supreme Court.

-- 23.6 percent of those polled reported that they perceived the Customs Directorate as the most corrupt Central Government institution in the country. Over 67 percent of those interviewed admitted that a member of the Customs Directorate had solicited them for a bribe within the past year;

-- more than 80 percent acknowledged that with a bribe, they knew they would receive better customer service at public institutions, such as Customs;

-- over 58 percent of the respondents believe that crimes of corruption will continue to grow in the future;

-- 74 percent of those polled who had experienced corruption decided not to report it; of those deciding not to report the corruption, 56 percent said that the reason was because no investigation or punishment would occur;

-- reflecting progress in 2005, 15 percent more people admitted to knowing how to report corrupt acts than those polled in the same 1999 survey;

-- 80 percent of business owners polled believe that corruption is the primary obstacle to economic growth and development in Paraguay.

Reactions to Polls

14. In statements to the press, the head of Transparency Paraguay, Pilar Calizo noted that political will to fight corruption and impunity is lacking in Paraguay. Several prominent Senators, however, were very critical of the TI poll. During a public briefing with a U.S. expert on money laundering, Sen. Espinola, the leader of the Liberal Party's bench in the Senate, took the opportunity to discuss the poll and reject its findings. Paraguay is no more corrupt than neighbors Argentina and Brazil, he said. Rather, it is weaker politically, making it an easy target for unfounded claims. Sen. Pedrozo, the Colorado President of the Finance Committee, similarly challenged the TI poll, blaming the U.S., among others, for reinforcing Paraguay's image as a den of corruption. Clearly, both Senators felt defensive about the poll's findings and responded by attacking its legitimacy.

15. Mercedes Argana, Executive Director of CISNI, told POLOFF that many within the GOP reacted strongly to the survey's results by questioning the methodology of the polling. The Customs Directorate filed a complaint with CISNI stating that the survey misrepresented their organization, and indicated that the survey did not take into account the results of many changes within the Directorate in the past few months. According to Argana, members of the Supreme Court disputed their ranking as a highly corrupt organization, stating that many Paraguayans cannot differentiate between the Supreme Court and other judicial offices, and pointed out that many may confuse slow judicial proceedings with corruption. However, CISNI also received compliments on its survey from the academic community that noted the need for increased academic studies on the effects of corruption and the mechanisms needed to combat it. University officials also acknowledged to Argana that a disconnect existed between local academic institutions, corruption research and current events in Paraguay.

17. Note: CISNI is a public-private partnership organization. Its board members include members of the Duarte Administration, including the Ministry of Foreign Affairs, as well as the private sector and several Non-Governmental Organizations. The study was funded by a grant from the Inter-American Development Bank and with technical assistance from the World Bank Institute (WBI). The GOP Census Office conducted the poll from November 2004- January 2005. The survey included interviews with 2,810 people, of whom 1,559 are users of public services, 986 are workers within the public sector and 265 are business owners in Paraguay. The margin of error for the survey is 2 percent with 95 percent confidence. This is the second time this survey was completed; the first survey was completed in 1999. END NOTE.

Changing Attitudes Will Require Time and Sustained Performance

18. Corruption has long been an endemic problem in Paraguay. As such, changing the public's perception of the government's commitment will require time and a record of sustained performance. It is worth noting that Paraguay was one of only four countries in Latin America and the Caribbean to improve in all four WBI governance indicators, including control of corruption, comparing 2004 to 2002. The Millennium Challenge Corporation (MCC) corruption control of corruption indicator similarly showed that Paraguay had improved from the 8th percentile (2004) to the 29th percentile (2005). Notwithstanding the political constraints within which the administration has to operate, the following initiatives reflect an effort to advance reform (Note: The success of several of these initiatives will ride on effective implementation and sustained political will which is often a sticking point. End Note.):

- an increase in tax and customs revenue;
- the announcement of a new tax regime to encourage formalization of the economy in Ciudad del Este;
- plans to implement a whistleblower program in the Finance Ministry and in the Supreme Court;
- implementation of a reform of the selection process for judges, prosecutors, and public defenders by the Judicial Council;
- a confrontation of illegal deforestation, undocumented persons and machinery, and the illegal export of logging along the Paraguayan/Brazilian border, known as Operation Sovereignty;
- a Millennium Challenge Account Threshold Country Plan that proposes far reaching and politically difficult

anti-corruption reforms.

19. Comment: Clearly the GOP has a long way to go towards changing the public's perception of its commitment to combat corruption. The TI survey reflects a positive trend -- albeit from a low baseline; the CISNI survey raises serious questions whether the public believes the government is committed and/or capable of producing a positive improvement.

Part of the problem lies with the political establishment, which benefits from the current corrupt system of spoils and casts blame at the surveys for Paraguay's poor rating. The WBI Survey and MCC reflect progress over the course of the Duarte administration. Some noteworthy initiatives have been undertaken; others are under consideration. Nevertheless, it is hard to overestimate the ability of corrupt individuals to find ways around reform efforts. Ultimately the crux of changing attitudes and performance will come down to ending the culture of impunity that prevails for those in power who break rules. Even with determined and effective political leadership, such cultural change is certain to be a long-term endeavor. End Comment.

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